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6/14 85-10231

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04 SEP 1985

MEMORANDUM FOR: (See Distribution List)

FROM:

[redacted]
Chief, Strategic Resources Division
Office of Global Issues

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SUBJECT:

Eastern Europe's 1985 Grain Crop [redacted]

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1. The attached memorandum assesses current grain production prospects in Eastern Europe and the preliminary outlook for grain trade. A more detailed Intelligence Assessment, including implications of the current harvest for regional economic prospects and food supplies is forthcoming.

[redacted]

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2. This assessment was produced by [redacted] Agricultural Assessments Branch, Strategic Resources Division, Office of Global Issues, with a contribution from [redacted] Eastern Europe Division, Office of European Analysis. [redacted]

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3. Comments and questions are welcome and may be addressed to the Chief, Agricultural Assessments Branch, [redacted]

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[redacted]

Attachment:

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Eastern Europe: Mixed Grain Production
Prospects [redacted] (GI M 85-10231) September 1985 [redacted]

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[redacted]

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[redacted]

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SUBJECT: Eastern Europe's 1985 Grain Crop

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OGI/SRD/AAB (4 September 1985)

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Central Intelligence Agency

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Washington D.C. 20505

DIRECTORATE OF INTELLIGENCE

4 September 1985

Eastern Europe: Mixed Grain Production Prospects

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Summary

Based on our analysis of [redacted] weather data, [redacted] we believe that Eastern Europe will produce about 104 million tons of grain this year, the region's fourth consecutive good harvest. All three northern countries--Poland, East Germany, and Czechoslovakia--are expected to harvest bumper crops. Of the southern countries, Romania and Bulgaria suffered severe drought damage, which will likely result in below-average grain production. In contrast, Hungary and Yugoslavia are headed for above-average crops, though bouts of unfavorable weather have depressed yield prospects. [redacted]

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Successful harvests in most countries and continuing efforts to run hard currency trade surpluses will tend to keep East European grain imports at the low levels of recent years. Grain exports--important to the southern countries as a source of hard currency--are expected to be hurt by crop shortfalls in Romania and Bulgaria, but should be aided by favorable prospects in Hungary and Yugoslavia. [redacted]

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This memorandum was prepared by [redacted] Agricultural Assessments Branch, Strategic Resources Division, Office of Global Issues, with a contribution from [redacted] Eastern Europe Division, Office of European Analysis. Comments may be directed to [redacted] Chief, Strategic Resources Division, OGI, on [redacted]

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GI M 85-10231

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Eastern Europe: Mixed Grain Production ProspectsGrain Production

We estimate¹ that, with continued favorable weather, Eastern Europe's 1985 grain harvest will reach about 104 million tons. A decline from last year's record of 108 million tons, this year's projected output would nevertheless be the region's fourth consecutive above-average² grain harvest. Although the East European countries have made individual 1985 grain production plans which total 119 million tons, it is Romania's unrealistic plan which drives the total so much higher than expected results. Production prospects are bright in all three northern countries,³ but in the southern countries, crop conditions range from poor in Romania and Bulgaria to above-average in Hungary and Yugoslavia.

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Northern Countries

We expect Poland to produce about 24.0 million tons of grain, exceeding the 1985 target range of 22.2 to 23.0 million tons. Adequate snow cover protected winter grains and good soil moisture promoted healthy crop growth, as indicated by May and June Landsat imagery. Planned areas of winter and spring grains were sown, and favorable procurement prices led to increased wheat and barley hectareage at the expense of rye. This shift will help Poland to better meet needs for various grain types from domestic production. Nevertheless, output is expected to fall below last year's record 24.4 million tons, partly because industrial setbacks from the severe winter resulted in fertilizer shortages and lags in harvest machinery repairs.

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East Germany seems headed for a fourth consecutive bumper grain crop, 11.0 million tons, surpassing the 10.7-million-ton plan but a decrease from last year's record 11.5 million tons. Winter grains were sown on the planned area and went into dormancy in good condition, largely withstanding severe cold in January and February. Continued cold and heavy rains delayed spring planting, but we estimate that farmers came close to the

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2 "Average production" refers to that achieved during 1979-83.

3 We discuss the northern countries (Poland, East Germany, and Czechoslovakia) and the southern countries (Romania, Bulgaria, Hungary, and Yugoslavia) separately because of their different climates, crops, and degree of self-sufficiency in grain production.

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[redacted]

planned hectareage. [redacted] dry weather in May was not severe enough to stress grain crops, especially as temperatures remained cool. Abundant June rains brought relief but also promoted fungus diseases. During July, sunny weather and adequate machinery aided the harvest campaign. [redacted]

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Czechoslovakia's 1985 grain crop is estimated at 11.2 million tons, exceeding the planned 11.0 million tons, but falling below last year's record 12.0-million-ton output. Winter and spring grain hectareage reportedly reached planned levels, though sowing of both crops was delayed by adverse weather, and some areas slated for spring barley were replaced by corn as planting deadlines passed. [redacted] good soil moisture and cool temperatures this summer have brightened yield prospects, although warmer weather would help the corn crop. Initial press reports on the harvest in July claimed that grain was overflowing available storage space, indicating high yields. [redacted]

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Southern Countries

16 Romania is on the way to a third⁴ consecutive poor grain harvest, estimated at 17.8 million tons, far below the ambitious 1985 plan of 29.65 million tons. In the major growing areas of the southeast [redacted] crop observations by the US agricultural attache indicate that winter grains germinated poorly last fall because of dryness, then suffered losses from extreme cold during the winter,⁵ and finally were hit with a spring drought which extended through their flowering period, when maximum potential yields are determined. Only in late June, as winter grains were being harvested, was the drought relieved in some areas. Corn, the chief spring grain, was probably sown on an area exceeding the plan, but much of the crop has also been stressed by drought. While rains during July marginally improved corn prospects in some areas, output is likely to be only average at best. [redacted]

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Bulgaria, hit by similar poor weather, is expected to produce a below-average grain crop of only 7.8 million tons, down

⁴ Although Romania claimed that its 1984 grain output was a record 23.6 million tons, the crop was hit by drought, weed infestations, and hail damage. [redacted] comments by the US agricultural attache lead us to believe that Romania's 1984 grain crop reached only 18.1 million tons. [redacted]

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⁵ Winter grain sowings probably came close to the target, but approximately 15 percent of the crop failed to survive, according to reported hectareage figures. [redacted]

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[redacted]

from last year's estimated harvest of 8.9 million tons,⁶ and below the 1985 plan of 11.0 million tons. Winter grains suffered heavy damage as the country's major growing regions were hit by fall drought, winter cold, and spring drought. The US embassy in Sofia reported in May that wheat and barley losses would run to at least 30 percent,⁷ and that a massive effort was underway to plough under the worst crops and replace them with corn. Drought, however, stressed most of the corn crop through June and July, with showers bringing only limited relief in some areas, as indicated on July Landsat imagery. Above-average corn production is still possible, based on our estimate that an exceptionally large area was planted. Even so, June and July press articles cited the year's unfavorable weather, faulty irrigation efforts, and a lagging campaign to sow secondary crops in anticipation of a fodder shortage. Todor Zhivkov, Chairman of the State Council, admitted in July that the farm sector had suffered a "serious blow." [redacted]

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We expect Hungary's 1985 grain crop to reach an above-average 14.9 million tons, short of the planned 15.5 million tons and below the record 15.3 million tons in 1984. Last year's late corn harvest held up winter grain sowing, but the planned area was surpassed, and improved soil moisture fostered good crop development. Press reports indicate that little winterkill occurred, and a government survey this spring assessed winter grains as in better shape than in 1984. May and June Landsat imagery also indicated a healthy crop. Even so, press reports [redacted] show that excessive rains this spring and summer caused crop damage and harvest delays in some areas. For spring grains--mainly corn--prospects are less bright. Wet, cold weather delayed planting--probably leaving the hectareage plan unfulfilled--and slowed corn development. While sunny, warmer weather in late July promoted crop growth, rapidly drying conditions could threaten corn prospects. [redacted]

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10 Yugoslavia is likely to achieve its fourth consecutive bumper grain crop, estimated at 17.5 million tons. Although below the plan of 18.5 million tons, output at this level would be second only to last year's record of 18.0 million tons. Winter grains benefited from adequate snow cover and good soil moisture this spring. Nevertheless, output is expected to decline from last year's level because:

- o Last year's delayed corn harvest and unfavorable wheat prices led to failure to fulfill the wheat area plan and

⁶ Some official announcements place Bulgaria's 1984 grain crop at 9.4 million tons, but we estimate that weather problems held production to 8.9 million tons. [redacted]

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⁷ Bulgaria has not reported grain hectarages. [redacted]

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to late planting of much of the crop.

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- o July press reports mention diseases, lower than expected yields, and rain interrupting the harvest.

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In contrast, bumper corn output is likely. Because heavy rains hampered planting of barley and oats, farmers substituted corn when it became too late to plant those crops, thereby boosting corn hectareage above the plan, to the largest area since 1971. Though soil moisture has been abundant, corn yields may be trimmed if frosts come early this fall, because cool summer temperatures have slowed crop development. In addition, an onset of dryness in late July has endangered corn in the southeast part of the country, though major growing areas in the north have received rain.

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Outlook

While grain production prospects appear promising in most countries, weather during the remainder of the growing and harvesting season will determine if a 104-million-ton crop is gathered. Heavy rainfall during the harvest could still trim the bumper yields expected in the northern countries. In hard-pressed Romania and Bulgaria, steady precipitation is badly needed to save the corn and fodder crops. Even Hungary and Yugoslavia will need periodic showers to assure sufficient moisture for the corn crops until harvest.

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Persisting Problems in East European Grain Production

Although favorable weather has boosted East European grain output in recent years, we believe that additional sustained major increases will be more elusive, largely because of deficiencies in agrotechnology and management, along with climatic constraints. In contrast, the region's grain requirements will tend to rise, though more slowly than the pace of the late 1970s, as livestock herds expand. Problems include:

- o Poland, East Germany, and Czechoslovakia have not been able to grow needed quantities of corn, protein feeds, and hard, baking-quality wheat. They must continue importing grain and feed to cover these deficits.
- o Poland and Yugoslavia are held back by the low technological level of small private farms, and difficulties in procuring grain from them.
- o Many East European countries are contending with high costs or shortages of inputs, such as fertilizer, chemicals, energy, and machinery.

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- o Grain quality is often deficient. For example, Czechoslovakia and Yugoslavia reportedly suffered losses from last year's record crops due to high moisture content and inadequate storage facilities.
- o In Romania, the effects of bad weather are worsened by severe shortages of agricultural inputs stemming from the country's economic downslide. Tight central control and meager incentives have apparently failed to increase production, and despite the regime's announcements of record yields in recent years, we believe that the 1983 and 1984 harvests were poor.

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Grain Trade Implications

Good harvests in most countries and continuing efforts to run hard currency trade surpluses are likely to keep Eastern Europe's grain imports,⁸ during the marketing year beginning 1 July, at around 6.5 million tons, near the low levels of recent years, but less than half the levels of the late 1970s. No improvement in US sales to the region is foreseen unless more attractive pricing or financing is offered.

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For the northern countries, which are net grain importers and normally account for the bulk of the region's grain purchases, the drive for "self-sufficiency", or balanced agricultural trade, will continue. East Germany and Czechoslovakia will likely continue to be successful in substituting a larger share of domestically produced fodder for imports whenever possible. Poland's persistent financial difficulties will severely limit its ability to find cash or credit for grain purchases. An above-average harvest of rye and good rapeseed output, however, should permit exports to continue near last year's levels, generating hard currency for wheat purchases and allowing Warsaw to barter rye for wheat.

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⁸ It is too early to accurately estimate East European grain imports in marketing year 1985/86. Purchases will depend on a number of factors: the final outcome of the grain harvest this fall; production of other crops, such as potatoes and sugar beets, which contribute to feed supplies; the level of consumer discontent and the sensitivity of regimes to such complaints; availability of financing for grain purchases; and, competing demands for other hard currency imports.

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As they push grain exports⁹ to earn needed hard currency, the southern countries are faced with varied trade prospects:

- o Romania faces a wheat shortage, but grain purchases will be strictly limited by the country's lack of credit, as well as the regime's relentless drive to restrain imports. With Bucharest trying to boost grain exports, even at the expense of domestic consumption, a reduced corn crop could spell a further strain on domestic supplies.
- o Bulgaria, usually a large wheat exporter, is expected to be a net importer of wheat this year. According to the US embassy in Sofia, Bulgaria has reportedly purchased wheat from Argentina, rice from the PRC, and is negotiating a wheat purchase from Australia.
- o Hungary's anticipated bumper wheat crop and Yugoslavia's promising corn crop should allow both countries to maintain exports at recent levels. Yugoslavia may import a small amount of wheat, however, to cover the shortfall resulting from the decreased sown area.

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⁹ While the southern region as a whole is a net grain exporter, only Hungary is a consistent net exporter. Romania, Bulgaria, and Yugoslavia import and export varying amounts of grain as annual production fluctuates.

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Table 1

Eastern Europe: Grain Production^a

	1979-83 Average	1979	1980	1981	1982	1983	1984	1985 ^b	Million Metric Tons (1985 Plan)
Eastern Europe	96.4	90.9	96.3	92.2	102.8	99.6	108.2	104.2	119.4
Northern Countries	39.3	35.4	38.6	38.0	41.5	43.2	47.9	46.2	44.7
Poland	19.7	17.3	18.3	19.7	21.2	22.1	24.4	24.0	22.2 - 23.0
East Germany	9.5	8.9	9.6	8.9	10.0	10.1	11.5	11.0	10.7
Czechoslovakia	10.1	9.2	10.7	9.4	10.3	11.0	12.0	11.2	11.0
Southern Countries	56.4	55.5	54.7	54.2	61.3	56.4	60.3	58.0	74.7
Romania	18.9	19.3	20.2	17.5 ^b	19.7 ^b	17.6 ^b	18.1 ^b	17.8	29.65
Bulgaria	8.4	8.5	7.8	8.6	9.3 ^b	7.7 ^b	8.9 ^b	7.8	11.0
Hungary	13.5	12.1	14.0	12.9	14.9	13.8	15.3	14.9	15.5
Yugoslavia	16.2	15.6	15.7	15.2	17.4	17.3	18.0	17.5	18.5 ^b

^a Grains include wheat, rye, barley, oats, corn, mixed grains; in the southern countries rice is also included, and in Bulgaria legumes. Poland and Romania report grain production by combine bunker weight, which includes foreign matter and excess moisture. The other countries have varying standards of cleaning and drying grain.

^b CIA estimate. Official figures and announcements concerning grain production in Romania and Bulgaria in recent years have been much higher than crop conditions during those years seemed to indicate. Yugoslavia did not announce a complete grain production plan for 1985.

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